

Bank Alfalah Limited – Dubai Branch

FINANCIAL STATEMENTS

31 DECEMBER 2024

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Bank Alfalah

MANAGEMENT REPORT 2024

We are pleased to submit this report and the audited financial statements of Bank Alfalah Limited – Dubai Branch (the “Branch” or the “Bank”) for the year ended 31 December 2024.

Incorporation and registered offices

Bank Alfalah Limited (the “Head Office”) is a Pakistan registered bank with its principal office in Karachi, Pakistan. It commenced its operations in the United Arab Emirates (UAE) in 2017 through a branch (the “Branch”) in Dubai as a wholesale bank.

The address of the registered office of the Branch is Unit # 5, Ground Floor, Eiffel 2 Building, Sheikh Zayed Road, Umm Al Sheif– Dubai, U.A.E

Financial position and results

The financial position and results of the Branch for the year ended 31 December 2024 are set out in the accompanying financial statements.

During the year ended 31 December 2024, the Branch recorded profit before tax of AED 40,734 thousand (2023: AED 43,859 thousand) and profit after tax of AED 32,530 thousand (2023: AED 35,063 thousand).

Signed on behalf of the Management

Fakhar Ahmad
Country Manager - UAE

Date: 19th March, 2025

Independent auditor's report to the Directors of Bank Alfalah Limited in respect of its Dubai Branch

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank Alfalah Limited - Dubai Branch (the "Branch") as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Branch in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other information

Management are responsible for the other information. The other information comprises the Management Report 2024 (but does not include the financial statements and our auditor's report thereon). Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the Directors of Bank Alfalah Limited in respect of its Dubai Branch (continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, and Article (114) of the Decretal Federal Law No. (14) of 2018, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report to the Directors of Bank Alfalah Limited in respect of its Dubai Branch (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers Limited Partnership Dubai Branch
19 March 2025



Jigesh Ashokkumar Shah
Registered Auditor Number: 5621
Dubai, United Arab Emirates



Bank Alfalah

Bank Alfalah Limited – Dubai Branch

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 AED 000	2023 AED 000
ASSETS			
Cash and balances with the UAE Central Bank	5	631,332	404,615
Due from banks, net	6	18,027	97,789
Due from head office and its branches abroad	10	-	20,201
Loans and advances, net	7	193,768	56,624
Investment securities	8	814,740	651,435
Deferred tax asset	26	1,251	2,010
Derivative financial instruments	17	19,877	25,450
Other assets	9	13,878	11,763
Property and equipment	11	3,857	3,337
Right of use asset	11.1	5,846	7,557
TOTAL ASSETS		1,702,576	1,280,781
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	12	37,482	93,970
Due to Head office and its branches abroad	10	24,489	12,075
Deposits and other accounts	13	1,434,790	982,645
Other liabilities	14	36,227	42,702
Lease liability	11.1	5,379	6,920
TOTAL LIABILITIES		1,538,367	1,138,312
EQUITY			
Share capital	15	100,000	100,000
Statutory reserve	16.1	9,279	6,025
Regulatory credit risk reserve	16.2	880	2,392
Fair value reserve		1,327	(5,271)
Retained earnings		52,723	39,323
TOTAL EQUITY		164,209	142,469
TOTAL LIABILITIES AND EQUITY		1,702,576	1,280,781



Manager Finance



Country Manager

Bank Alfalah Limited – Dubai Branch

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	<i>Notes</i>	2024 AED 000	2023 AED 000
Interest income	20	69,571	57,158
Interest expense	21	(18,270)	(10,968)
Net interest income		51,301	46,190
Fee, commission and brokerage income	22	2,904	4,547
Net foreign exchange income		1,569	1,981
Other income	23	2,723	1,498
Total operating income		7,196	8,026
Net impairment (charge)/ reversal	27	(4,437)	649
Other Provision & Write off – net		(45)	-
Net operating income		54,015	54,865
Non-interest expense			
Staff costs	24	(7,846)	(6,384)
Administrative and general expenses	25	(3,128)	(2,931)
Depreciation	11	(2,307)	(1,691)
Operating expense		(13,281)	(11,006)
PROFIT BEFORE TAX		40,734	43,859
Taxation	26	(8,204)	(8,796)
NET PROFIT FOR THE YEAR		32,530	35,063

The attached notes 1 to 29 form part of these financial statements.

Bank Alfalah Limited – Dubai Branch

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

		<i>2024</i> <i>AED 000</i>	<i>2023</i> <i>AED 000</i>
NET PROFIT FOR THE YEAR		32,530	35,063
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to profit or loss:</i>			
Net changes in fair value of equity investments classified as FVOCI		(225)	116
Actuarial gain		12	51
Tax effect of the above	26	45	(23)
		<u>(168)</u>	<u>144</u>
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net changes in fair value of debt instruments classified as FVOCI		7,974	19,725
Net change in unrealised gains on derivatives held as fair value hedge against debt investments classified as FVOCI		(2,642)	(10,876)
Changes in allowance for expected credit losses on debt instruments classified as FVOCI		3,125	(981)
Tax effect of the above	26	(1,691)	(1,574)
		<u>6,766</u>	<u>6,294</u>
Other comprehensive income for the year		<u>6,598</u>	<u>6,438</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>39,128</u>	<u>41,501</u>

The attached notes 1 to 29 form part of these financial statements.

Bank Alfalah Limited – Dubai Branch

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	<i>Share capital AED 000</i>	<i>Regulatory credit risk reserve AED 000</i>	<i>Fair value reserve (OCI) AED 000</i>	<i>Statutory reserve AED 000</i>	<i>Retained earnings AED 000</i>	<i>Total AED 000</i>
As at 1 January 2024	100,000	2,392	(5,271)	6,025	39,323	142,469
Net profit for the year	-	-	-	-	32,530	32,530
Other comprehensive income for the year	-	-	6,598	-	-	6,598
Total comprehensive income for the year	-	-	6,598	-	32,530	39,128
Realised Gain on sale of FVOCI Investments	-	-	-	-	143	143
Transfer to other reserve	-	(1,512)	-	-	1,512	-
Transfer to statutory reserve	-	-	-	3,253	(3,253)	-
Profit repatriated to Head Office	-	-	-	-	(17,532)	(17,532)
As at 31 December 2024	100,000	880	1,327	9,279	52,723	164,209
As at 1 January 2023	100,000		(11,709)	2,519	18,030	108,840
Net profit for the year	-	-	-	-	35,063	35,063
Other comprehensive income for the year	-	-	6,438	-	-	6,438
Total comprehensive income for the year	-	-	6,438	-	35,063	41,501
Realised Gain on sale of FVOCI Investments	-	-	-	-	-	-
Transfer to other reserve	-	2,392	-	-	(2,392)	-
Transfer to statutory reserve	-	-	-	3,506	(3,506)	-
Profit repatriated to Head Office	-	-	-	-	(7,872)	(7,872)
As at 31 December 2023	100,000	2,392	(5,271)	6,025	39,323	142,469

The attached notes 1 to 29 form part of these financial statements.

Bank Alfalah Limited – Dubai Branch

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 AED 000	2023 AED 000
OPERATING ACTIVITIES			
Profit before tax		40,734	43,859
Adjustments for:			
Depreciation	11	2,307	1,691
Net impairment loss / (gain)	27	4,437	(649)
Gain on sale of investments classified at FVOCI	23	(1,936)	(1,260)
Gain on sale of fixed assets	23	-	(24)
Gain on sale of derivative	23	(9)	(27)
Interest expense on lease liability	21	(284)	194
Dividend income	23	(207)	(136)
Provision for employees' end of service benefits	14.1	286	262
Cash generated from operations before changes in operating assets and liabilities		45,328	43,910
Changes in operating assets and liabilities:			
Loans and advances		(138,537)	(56,158)
Statutory deposits with UAE Central Bank		(52,460)	(25,261)
Other assets		(2,251)	(4,050)
Due to banks		(56,488)	91,893
Due to Head office and other branches		12,414	(3,730)
Deposits and other accounts		452,144	(118,034)
Other liabilities		7,002	(12,226)
Cash generated from operations		267,152	(83,656)
Income tax paid	26	(8,853)	(4,481)
Employees' end of service benefits paid		(318)	(208)
Net cash generated from / (used in) operating activities		257,981	(88,345)
INVESTING ACTIVITIES			
Purchases of investment securities		(963,096)	(515,116)
Proceeds from sale of investment securities		799,790	413,045
Purchase of property and equipment	11	(1,060)	(3,087)
Proceeds from sale of property and equipment		-	22
Net cash used in investing activities		(164,366)	(105,136)
FINANCING ACTIVITIES			
Payment against lease liability	11.1	(1,825)	(2,355)
Repatriation to head office		(17,532)	(7,872)
Net cash used in financing activities		(19,357)	(10,227)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		74,258	(203,708)
Cash and cash equivalents at beginning of the year		444,768	648,476
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		519,026	444,768
Cash and cash equivalents comprise of:			
Cash and balances with the UAE Central Bank	5	631,332	404,615
Due from banks	6	18,027	97,824
Due from head office and its branches abroad	10	-	20,202
Less: Statutory reserve with UAE Central Bank		(130,333)	(77,873)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		519,026	444,768
Non-cash transaction:			
<ul style="list-style-type: none"> Recognition of right of use asset and lease liability (Note 11.1) 			

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

1 LEGAL STATUS AND ACTIVITIES

Bank Alfalah Limited - Dubai Branch operates as a branch of Bank Alfalah Limited with its Head Office ("Head Office") in Pakistan since 30 October 2017 through its one branch located in the emirate of Dubai under license number 770308 issued by the Central Bank of the UAE ("UAE Central Bank"). Bank Alfalah Limited, is listed on the Pakistan Stock Exchange.

The principal activity of Bank Alfalah Limited – Dubai Branch (the “Bank” or “the Branch”) is to provide wholesale banking services in the UAE. The registered address of the Bank is Unit # 5, Ground Floor, Eiffel 2 Building, Sheikh Zayed Road, Umm Al Sheif– Dubai, U.A.E.

2 MATERIAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Branch have been prepared in accordance with IFRS Accounting Standards (IFRSs) as issued by International Accounting Standards Board (“IASB”), the UAE Federal Law No. (32) of 2022 and applicable regulations of the Central Bank of the UAE.

The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments measured at fair value;
- Financial instruments measured at fair value and classified as either fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI);
- Recognized assets and liabilities that are a hedged item in a fair value hedge transaction are measured at fair value in respect of the risk that is hedged

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

These financial statements are presented in United Arab Emirates Dirhams (“AED”) which is the Branch’s functional and presentation currency. Except as otherwise indicated, financial information presented in AED has been rounded to the nearest thousand.

2.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS

The Branch has consistently applied the accounting policies same as prior year except for the changes in accounting policies resulting from adoption of new standards and interpretation.

(a) *New/amended standards and interpretations effective from annual periods beginning on or after 1 January 2024*

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

- Amendments to IAS 8 Accounting policies, Changes in accounting estimates and errors
- Amendment to IFRS 17 Insurance contracts
- Amendment to IAS 1 and IFRS Practice Statement 2 relating to disclosure of Accounting Policies
- Deferred Tax related to Assets and liabilities arising from a Single Transaction –Amendment to IAS 12

These amendments had no material impact on the financial statements of the Bank.

(b) New/amended standards and interpretations issued but not yet effective

- IAS 1 - Amendment regarding classification of liabilities as current or non-current liabilities with covenants (effective for annual periods beginning on or after 1 January 2024)
- IAS 7 and IFRS 7 - Amendment regarding supplier finance arrangements (effective for annual periods beginning on or after 1 January 2024).
- IAS 21 - Amendment regarding lack of exchangeability (effective for annual periods beginning on or after 1 January 2025)
- IFRS 16 - Amendment regarding lease liability in a sale and leaseback (effective for annual periods beginning on or after 1 January 2024)

These amendments are not expected to have a material impact on the Bank's financial statements.

2.3 ACCOUNTING POLICIES

The principal accounting policies are set out below:

Revenue recognition

Net interest income

The Branch recognise interest income and interest expense in the statement of profit or loss and other comprehensive income for all interest-bearing financial instruments using the effective interest method.

The effective interest rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income/expense over the relevant period. The effective interest rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financing and investing instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition.

Income is recognised in the statement of profit or loss and other comprehensive income on an effective interest rate basis for financing and investing instruments measured subsequently at amortised cost.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

Interest income on non-performing loans and advances is suspended when realisation of such interest or the principal amount becomes doubtful. Recoveries in respect of loans fully provided for are accounted for on a cash receipt basis.

The effective interest rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income/expense over the relevant period. The effective interest rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financing and investing instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition.

Income is recognised in the statement of profit or loss and other comprehensive income on an effective interest rate basis for financing and investing instruments measured subsequently at amortised cost.

Interest income on non-performing loans and advances is suspended when realisation of such interest or the principal amount becomes doubtful. Recoveries in respect of loans fully provided for are accounted for on a cash receipt basis.

Net fees and commission income

Fees and commission income and expenses are generally recognised in the statement of profit or loss and other comprehensive income on accrual basis as the related services are provided, for example, on completion of the underlying transaction, except those that are integral to the effective interest rate calculations. Fees and commission included in the effective interest rate calculation are those that are incremental and directly attributable to the origination of the product and which are integral to the yield of the product.

Foreign currency transactions

The Branch's financial statements are presented in the UAE Dirham (AED) which is the Branch's functional and presentation currency.

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to AED at the foreign exchange rates ruling at the dates that the fair values were determined.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

Depreciation is determined using the straight-line method over the estimated useful life as follows:

	<u>Years</u>
Leasehold improvement	10
Furniture and fixtures	10
Office Equipment	5
Computer and accessories	4
Motor vehicles	4

The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its useful economic life. The gross carrying amount of any fully depreciated property, plant and equipment are still in use.

The useful lives, methods and the residual values underlying the calculation of depreciation of items of property and equipment are reviewed at each reporting date to take account of any change in circumstances.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss and other comprehensive income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses if any. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset. Estimated useful life is as follows:

	<u>Years</u>
Software	3

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

Impairment of tangible assets

At the end of each reporting period, the Branch reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Branch estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Customer deposits

Customer deposits are initially recognised at fair value, being the fair value of the consideration received.

After initial recognition, all deposits are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs that are directly attributable to the acquisition or receipt of customer deposit.

Fair value measurement

For those assets and liabilities carried at fair value, the Branch measures fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement of financial instruments is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Branch. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of non-financial instruments (instruments other than financial instruments) takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

The Branch uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs

Fair value measurement (continued)

Fair values for financial instruments traded in active markets are based on closing bid prices. For all other financial instruments including instruments for which the market has become inactive, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the fair value derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method or other relevant valuation techniques commonly used by market participants.

Fair values of non-financial instruments are measured based on valuation provided by independent valuers.

The fair value of a derivative financial instrument is the equivalent of the unrealised gain or loss from marking to market the derivative financial instrument, using relevant market rates or internal pricing models.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, branch, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Branch determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's Valuation Committee determines the policies and procedures for both recurring fair value measurement and unquoted financial assets. External valuers are involved for valuation of significant assets, such as unquoted financial assets, and significant liabilities, such as contingent consideration. At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Bank's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions notes
- Quantitative disclosures of fair value measurement hierarchy
- Investment in non-listed equity shares (discontinued operations)
- Financial instruments (including those carried at amortised cost)
- Contingent consideration

Financial instruments

Financial assets and liabilities are recognised when the Branch becomes a party to the contractual provisions of the instrument.

Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Branch becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction costs are charged off to the statement of profit or loss and other comprehensive income.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in statement of profit or loss on initial recognition (i.e. day 1 profit or loss); and
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability). After initial recognition, the deferred gain or loss will be released to statement of profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets and financial liabilities

Financial assets

On initial recognition, a financial asset is classified as measured: at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial instruments (continued)

Classification of financial assets and financial liabilities (continued)

Financial assets (continued)

On initial recognition of an equity investment that is not held for trading, the Branch may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Branch may irrevocably designate a financial asset that meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Branch makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Branch's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and
- Its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI Test")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Branch considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Branch's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rate.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification of financial assets and financial liabilities (continued)

Financial assets (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Branch changes its business model for managing financial assets.

Derecognition

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

Investment securities

The investment securities' includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

- Interest revenue using the effective interest method
- ECL and reversals, and
- Foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

The Branch elects to present in other comprehensive income changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

All financial liabilities are subsequently measured at amortised cost using the effective profit rate method.

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective profit rate method. The Branch's financial liabilities at amortised cost include the customers' deposits, deposits and balance due to bank, due to related party and other liabilities.

Derecognition of financial liabilities

The Branch derecognises financial liabilities when, and only when, the Branch's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in statement of profit or loss and other comprehensive income.

Expected credit losses

Measurement of ECL

The Branch recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Deposits and balances and due from banks;
- Debt investment securities carried at amortised cost;
- Loans and advances to customers;
- Other financial assets;
- Loan commitments; and
- Financial guarantees and contracts

With the exception of purchased or originated credit impaired (POCI) financial assets), ECL is required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL is measured at an amount equal to the 12-month ECL.

ECL is a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Branch under the contract and the cash flows that the Branch expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's interest rate.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

- for undrawn loan commitments, the ECL is the difference between the present value of the contractual cash flows that are due to the Branch if the holder of the commitment draws down the loan and the cash flows that the Branch expects to receive if the loan is drawn down; and for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Branch expects to receive from the holder, the debtor or any other party.

The Branch measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original interest rate, regardless of whether it is measured on an individual basis or a collective basis.

The Branch employs statistical models for ECL calculations. For measuring ECL under IFRS 9, the key input would be the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from the Branch's internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) the contractual ability to demand repayment and cancel the undrawn commitment is present; and (c) the exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Products in scope of this exemption include credit cards, overdraft balances and certain revolving lines of credit. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

Definition of default

The Branch considers a financial asset to be in default when:

- it is established that due to financial or non-financial reasons the borrower is unlikely to pay its credit obligations to the Branch in full without recourse by the Branch to actions such as realising security (if any is held); or
- the borrower is past due 90 days or more on any material credit obligation to the Branch.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

In assessing whether a borrower is in default, the Branch considers indicators that are:

- (i) qualitative - e.g. material breaches of covenant;
- (ii) quantitative - e.g. overdue status and non-payment on another obligation of the same customer / customer group to the banks; and
- (iii) based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financing exposure is in default and their significance may vary over time to reflect changes in circumstances.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Branch assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Branch considers factors such as timing of coupon payments, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikelihood to pay indicators and a backstop if amounts are overdue for 90 days or more.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan. The Branch categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Branch continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Employees' end of service benefits

Provision for employees' end of service indemnity is made based on current remuneration and cumulative years of service at the end of each reporting period. The end of service provision of staffs in UAE, other than those deputed from Head office, is made in accordance with the Branch's policy, which is not less than the liability arising under the UAE labour laws.

Leases

The Branch as lessee

The Branch assesses whether contract is or contains a lease, at inception of the contract. The Branch recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Branch recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Branch uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within 'Other liabilities' in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

Leases (continued)

The Branch as lessee (continued)

The Branch remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Branch did not make any such adjustments during the years presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Branch expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as part of “Property and equipment” in the statement of financial position. The Branch applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the “Property and equipment” policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line ‘General and administrative expenses’ in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Branch has not used this practical expedient.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, amounts due from banks on demand or with an original maturity of three month or less and unrestricted cash balances with the UAE Central Bank, which are subject to insignificant credit risk, and are used by the Branch in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Branch has a present obligation (legal or constructive) as a result of a past event, it is probable that the Branch will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Branch have a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Acceptances

Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

Documentary credits

Documentary credits, issued on behalf of the clients of the Branch, are contracts whereby the Branch guarantee to pay on behalf of the client money to the holder for goods supplied to the client. The payment would be made only on negotiation of documents by the supplier and the advising bank.

The income received for the issue of the credit and subsequent handling of the bills under the credit is recognised as fee and commission income as and when received.

Contract balances

The following is recognised in the statement of financial position arising from revenue from contracts with customers:

‘Commission received in advance’ included under ‘Other liabilities’, which represent the Branch’s obligation to transfer services to a customer for which the Branch has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made, or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Branch performs.

Commitments to extend credit

These are firm commitments made by the Branch to its clients to extend credit as per the terms of the agreement and are considered as an off-balance sheet liability.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Deferred taxes relating to items recognised directly in equity are also recognised in equity and not in the statement of profit or loss and other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 ACCOUNTING POLICIES (continued)

Repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not categorized from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is categorized in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate.

3 FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effect on the Bank's financial performance.

The Bank's risk management policies as approved by the Head Office are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems. These policies provide written principles for overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

3.1 Credit risk

The most important types of risk are credit risk, market risk, liquidity risk, and other operational risk. Market risk includes currency risk, interest rate and other price risk.

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause financial loss to the Bank by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, due from other banks, investment securities and other receivables. There is also credit risk in financial arrangements not reflected on the statement of financial position such as credit commitments.

Internal credit risk ratings

The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The Bank measures credit risk of loans and advances to customers and to financial institutions at a counterparty level by using an internally developed technique named "Obligor Risk Rating" (ORR) considering various factors over a scale of 1 to 12 points. The better the customer credit strength the lower is the grade. This credit risk measurement technique is embedded in the Bank's daily operational management.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

Classification	Grades	Risk significance
Performing	1 to 9a	Exceptional
Performing	9b	Watchlist
Non-Performing	9c	OAEM
Non-performing	10	Substandard
Non-performing	11	Doubtful
Non-performing	12	Loss

Measurement of ECL

The Bank measures ECL considering the risk of default over the maximum contractual period over which the entity is exposed to credit risk. However, for financial instruments such as overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period.

However, the Bank does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are canceled only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Restructured and renegotiated loans

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favorable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off. Management continuously monitors the progress on renegotiated loans (if any) to ensure compliance with the terms at all times.

Exposure to credit risk

The Bank measures its exposure to credit risk by reference to gross carrying amount of financial assets and expected credit losses.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

<i>As at 31 December 2024</i>	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Loans and advances				
Performing	195,490	-	-	195,490
Non-performing	-	-	-	-
Allowance for expected credit loss	(1,722)	-	-	(1,722)
Net carrying amount	193,768	-	-	193,768
Unfunded advances	34,081	-	-	34,081
Allowance for expected credit loss	(78)	-	-	(78)
Net carrying amount	34,003	-	-	34,003
	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Debt securities				
Measured at FVOCI	781,111	28,873	-	809,984
Allowance for expected credit loss	(619)	(5,363)	-	(5,982)
Net carrying amount	780,492	23,510	-	804,002

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

<i>As at 31 December 2023</i>	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Loans and advances				
Performing	56,953	-	-	56,953
Non-performing	-	-	-	-
Allowance for expected credit loss	(329)	-	-	(329)
	<u>56,624</u>	<u>-</u>	<u>-</u>	<u>56,624</u>
Net carrying amount				
	<u>56,624</u>	<u>-</u>	<u>-</u>	<u>56,624</u>
Unfunded advances	35,674	-	-	35,674
Allowance for expected credit loss	(139)	-	-	(139)
	<u>35,535</u>	<u>-</u>	<u>-</u>	<u>35,535</u>
Net carrying amount				
	<u>35,535</u>	<u>-</u>	<u>-</u>	<u>35,535</u>
<i>As at 31 December 2023</i>				
	<i>Stage 1 AED'000</i>	<i>Stage 2 AED'000</i>	<i>Stage 3 AED'000</i>	<i>Total AED'000</i>
Debt securities				
Measured at FVOCI	629,386	21,198	-	650,584
Allowance for expected credit loss	(504)	(2,353)	-	(2,857)
	<u>628,882</u>	<u>18,845</u>	<u>-</u>	<u>647,727</u>
Net carrying amount				
	<u>628,882</u>	<u>18,845</u>	<u>-</u>	<u>647,727</u>

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

Amounts due from other banks and amounts due from the Head Office and other branches are neither past due nor impaired.

Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, and to industries and countries.

The credit risk is primarily managed by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

(a) Collateral

As part of the Bank's credit risk management policies and practices, it obtains security where deemed necessary for loans and advances. The principal collateral types include:

- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable; Charges over financial instruments such as debt securities and equities;
- Personal and corporate guarantees; and Cash held in margin accounts and liens.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank obtains additional collaterals from the counterparty as soon as impairment indicators are observed for the relevant loans and advances.

Collaterals held as security for financial assets other than loans and advances are determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule however, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non- financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

(a) Collateral

Analysis of collateral by type is presented in the following table:

	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
Guarantee	30,992	33,919
Cash Margin and Liens	10,728	5,781
	<u>41,720</u>	<u>39,700</u>

(b) Derivatives

At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Bank, which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements and entering into forward contracts with other banks, which forms as a back-to-back commitment to purchase and sell a contract, resulting in limited credit exposure to the Bank. Collateral margin is also maintained with counter parties in accordance with the International Swaps & Derivatives Association (ISDA) Master Agreement, in line with the minimum requirements of the derivative contracts. Due to change in MTM revaluation, margin call payments are called to pay to bridge the market value with the agreed transaction deal.

Maximum exposure to credit risk before collateral held or other credit enhancements:

	<i>Maximum exposure</i> <i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
<i>Credit risk exposures relating to assets reflected on and off statement of financial position are as follows:</i>		
Cash and balances with the UAE Central Bank	631,343	404,615
Due from banks, net	18,030	97,789
Due from head office and its branches abroad	-	20,201
Loans and advances	195,490	56,624
Investment securities	809,984	651,435
Other assets	12,986	11,111
Unfunded advances	34,081	35,535
At 31 December	<u>1,701,914</u>	<u>1,277,310</u>

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

The above table represents a worst case scenario of credit risk exposure to the Bank, without taking account of any collateral held or other credit enhancements attached. For assets reflected on the statement of financial position, the exposures set out above are based on net amounts. Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advances portfolio and debt securities.

Reposessed assets

The Bank policy is to determine whether a reposessed asset is used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their reposessed value or the carrying value of the original secured asset. Assets that are determined to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

Investment securities

Investment securities mainly comprise of debt securities issued by various governments and local / foreign reputable organizations.

The table below presents an analysis of investment securities by rating agency designation, based on Moody's ratings or equivalent:

	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
AAA to A-	661,897	502,718
BBB to B-	106,623	119,581
Below B-	28,873	18,845
Unrated	12,591	10,291
Total	<u>809,984</u>	<u>651,435</u>

Concentration of risks of financial assets with credit risk exposure

The following tables summarises the bank's main credit exposure at their carrying amounts as categorised by the industry sectors of its counterparties.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

	<i>Financial institutions AED'000</i>	<i>Sovereign & Central Bank AED'000</i>	<i>Construction & real estate AED'000</i>	<i>Public sector AED'000</i>	<i>Wholesale trade AED'000</i>	<i>Other industries AED'000</i>	<i>Energy AED'000</i>	<i>Total AED'000</i>
Balances with the Central Bank of UAE	-	630,333	-	-	-	1,010,	-	631,343
Due from banks	18,030	-	-	-	-	-	-	18,030
Due from head office and its branches abroad	-	-	-	-	-	-	-	-
Loans and advances	81,303	18,365	8,997	-	86,825	-	-	195,490
Investment securities	182,227	552,800	-	3,336	-	35,179	36,442	809,984
Derivative Financial Assets-	19,877	-	-	-	-	-	-	19,877
Other assets	6,080	2,350	210	13	300	3,733	300	12,986
Unfunded Advances-	-	-	-	-	34,081	-	-	34,081
As at 31 December 2024	307,517	1,203,848	9,206	3,348	161,128	39,992	36,742	1,721,791

	<i>Financial institutions AED'000</i>	<i>Sovereign & Central Bank AED'000</i>	<i>Construction & real estate AED'000</i>	<i>Public sector AED'000</i>	<i>Wholesale trade AED'000</i>	<i>Other industries AED'000</i>	<i>Energy AED'000</i>	<i>Total AED'000</i>
Balances with the Central Bank of UAE	-	402,873	-	-	-	1,742	-	404,615
Due from other banks	97,789	-	-	-	-	-	-	97,789
Due from head office and its branches abroad	20,201	-	-	-	-	-	-	20,201
Loans and advances	-	18,069	-	-	38,555	-	-	56,624
Investment securities	172,849	437,269	-	3,320	-	8,616	29,381	651,435
Derivative Financial Assets-	25,450	-	-	-	-	-	-	25,450
Other assets	10,534	-	-	-	577	-	-	11,111
Unfunded Advances	-	-	-	-	35,535	-	-	35,535
As at 31 December 2023	326,823	858,211	-	3,320	74,667	10,358	29,381	1,302,760

Bank Alfalah Limited – Dubai Branch
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as of the year-end.

For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties:

	<i>UAE AED'000</i>	<i>OECD AED'000</i>	<i>Other Asian countries AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
31 December 2024					
Balances with the UAE Central Bank	631,343	-	-	-	631,343
Due from banks	-		18,030	-	18,030
Due from head office and its branches abroad	-	-	-	-	-
Loans and advances	114,187	-	81,303	-	195,490
Investment securities	515,131	24,271	252,082	18,500	809,984
Derivative Financial Assets	19,877	-	-	-	19,877
Other assets	6,452	3,305	3,115	114	12,986
	1,286,990	27,576	354,530	18,614	1,687,710
	<i>UAE AED'000</i>	<i>OECD AED'000</i>	<i>Other Asian countries AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
31 December 2023					
Balances with the UAE Central Bank	404,615	-	-	-	404,615
Due from banks	50	66,523	31,217	-	97,789
Due from head office and its branches abroad	-	-	20,201	-	20,201
Loans and advances	56,624	-	-	-	56,624
Investment securities	353,824	90,952	188,950	17,709	651,435
Derivative Financial Assets	25,450	-	-	-	25,450
Other assets	113	1,839	546	8,613	11,111
	840,676	159,314	240,913	26,322	1,267,225

OECD represents Organization for Economic Cooperation and Development. This includes United States, Canada, Australia, Japan, United Kingdom, Turkey and other European countries.

3.2 Market risk

The Bank takes exposure on market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity instruments, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Bank's Assets and Liability Committee (ALCO) is responsible for formalising the key financial indicators and ratios, setting the thresholds to manage and monitor the market risk and also analysing the sensitivity of the Bank's interest rate and maturity mis-matches. ALCO also guides the Bank's investment decisions and provides guidance in terms of interest rate and currency movements.

Bank Alfalah Limited – Dubai Branch
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Market risk (continued)

Foreign exchange risk

The Bank takes exposure on the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Head Office sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored regularly. The table below summaries the Bank's exposure to foreign exchange rate risk included in the table that are the Bank's assets and liabilities at carrying amounts, categorised by currency.

	<i>AED AED'000</i>	<i>USD AED'000</i>	<i>EURO AED'000</i>	<i>GBP AED'000</i>	<i>Total AED'000</i>
As at 31 December 2024					
Assets					
Cash and balances with the Central Bank	631,332	-	-	-	631,332
Due from banks	38	15,919	1,184	886	18,027
Due from head office and its branches abroad	-	-	-	-	-
Loans and advances	41,571	152,196	-	-	193,768
Investment securities	385,592	414,275	14,873	-	814,740
Other assets	5,383	8,220	274	-	13,878
Derivative Financial Assets -	-	19,570	307	-	19,877
	1,063,916	610,180	16,638	886	1,691,621
Liabilities					
Due to banks	-	37,482	-	-	37,482
Due to Head office and its branches abroad	23,822	665	2	-	24,489
Customer deposits	1,032,310	380,804	14,274	7,402	1,434,790
Other liabilities	11,614	24,609	4	-	36,227
Lease liability	5,379	-	-	-	5,379
	1,072,124	443,560	14,280	7,402	1,538,367
Net financial position	(9,208)	166,620	2,358	(6,517)	153,254
	<i>AED AED'000</i>	<i>USD AED'000</i>	<i>EURO AED'000</i>	<i>GBP AED'000</i>	<i>Total AED'000</i>
As at 31 December 2023					
Assets					
Cash and balances with the Central Bank	404,615	-	-	-	404,615
Due from banks	50	91,179	5,044	1,516	97,789
Due from head office and its branches abroad	-	20,201	-	-	20,201
Loans and advances	36,419	20,205	-	-	56,624
Investment securities	238,733	397,372	15,330	-	651,435
Other assets	2,975	8,475	313	-	11,763
Derivative Financial Assets	-	25,450	-	-	25,450
	682,792	562,882	20,687	1,516	1,267,877
Liabilities					
Due to banks	93,970	-	-	-	93,970
Due to Head office and its branches abroad	11,800	262	13	-	12,075
Customer deposits	612,396	333,795	31,018	5,436	982,645
Other liabilities	11,154	31,543	5	-	42,702
Lease liability	6,920	-	-	-	6,920
	736,240	365,600	31,036	5,436	1,138,312
Net financial position	(53,448)	197,282	(10,349)	(3,920)	129,565

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Market risk (continued)

Majority of assets and liabilities are in UAE Dirham or USD (which is pegged to the UAE Dirham), the Bank is not significantly exposed to currency risk as at 31 December 2024.

Price risk

The Bank mainly holds debt securities, issued by various governments and local / foreign reputable organizations, which are carried at fair value. The Bank's exposure to price risk is dependent on the economical and political factors of these respective countries. The Bank manages the price risk through diversification and placing limits on individual and total debt securities portfolio. Reports on the debt securities portfolio are submitted to the Bank's senior management on a regular basis.

The Bank's Investment Committee reviews and approves all debt securities investment decisions. A 10% increase/decrease in value of Bank's financial assets measured at fair value through OCI will result in an increase/decrease in the Bank's equity by AED 80.99 million (2023: AED 65.06 million). Such change will have no effect on the income statement of the Bank.

The Bank's Investment Committee reviews and approves all equity investment decisions. A 5% increase/decrease in value of Bank's financial assets measured at fair value through OCI will result in an increase/decrease in the Bank's equity by AED 0.536 million (2023: 0.185). Such change will have no effect on the income statement of the Bank.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a floating rate assets/liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of fixed rate assets/liabilities will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The ALCO sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by Treasury.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. It includes the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	<i>Upto 3 Months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>1 year to 5 years AED'000</i>	<i>Over 5 years AED'000</i>	<i>Non- interest bearing AED'000</i>	<i>Total AED'000</i>
At 31 December 2024						
Assets						
Cash and balances with the UAE Central Bank	500,000	-	-	-	131,332	631,332
Due from banks, net	12,855	-	-	-	5,172	18,027
Due from head office and its branches abroad	-	-	-	-	-	-
Loans and advances	48,110	145,658	-	-	-	193,768
Investment securities	87,974	327,891	297,605	90,533	10,737	814,740
Other assets	-	-	-	-	33,755	33,755
Total financial assets	648,939	473,549	297,605	90,533	180,996	1,691,622
Liabilities						
Due to banks	37,482	-	-	-	-	37,482
Due to Head office and its branches abroad	-	-	-	-	24,489	24,489
Deposits and other account	217,693	50,577	-	-	1,166,519	1,434,790
Other liabilities	-	-	-	-	36,227	36,227
Lease liability	-	1,615	3,764	-	-	5,379
Total liabilities	255,175	52,192	3,764	-	1,227,235	1,538,367
Interest sensitivity gap	393,763	421,357	293,841	90,533	(1,046,239)	153,255

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Market risk (continued)

Interest rate risk (continued)

	<i>Upto 3 Months AED '000</i>	<i>3 months to 1 year AED '000</i>	<i>1 year to 5 years AED '000</i>	<i>Over 5 years AED '000</i>	<i>Non- interest bearing AED '000</i>	<i>Total AED '000</i>
At 31 December 2023						
Assets						
Cash and balances with the UAE Central Bank	325,000	-	-	-	79,615	404,615
Due from banks, net	97,789	-	-	-	-	97,789
Due from head office and its branches abroad	20,201	-	-	-	-	20,201
Loans and advances	38,555	18,069	-	-	-	56,624
Investment securities	81,936	184,148	247,338	134,305	3,708	651,435
Other assets	108	664	1,833	1,070	8,089	11,763
Total financial assets	563,589	202,881	249,171	135,375	91,412	1,242,427
Liabilities						
Due to banks	93,970	-	-	-	-	93,970
Due to Head office and its branches abroad	12,075	-	-	-	-	12,075
Deposits and other account	84,715	17,200	-	-	880,730	982,645
Other liabilities	578	123	-	-	42,001	42,702
Lease liability	-	1,711	6,844	-	-	8,555
Total liabilities	191,338	19,034	6,844	-	922,731	1,139,947
Interest sensitivity gap	372,251	183,847	242,327	135,375	(831,319)	102,480

Bank Alfalah Limited – Dubai Branch
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Market risk (continued)

Interest rate risk (continued)

Interest rate risk is also assessed by measuring the impact of a reasonably possible change in interest rate movements. The Bank assumes a fluctuation in interest rates of 25 basis points (bps) and estimates the following impact on the net profit for the year and net assets at that date:

	<i>Interest Income AED'000</i>	<i>Interest Expense AED'000</i>
As at 31 December 2024		
Fluctuation in yield by 25 bps	2,649	2,574
As at 31 December 2023		
Fluctuation in yield by 25 bps	1,585	2,718

3.3 Liquidity risk

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Bank manages its liquidity in accordance with UAE Central Bank requirements and Bank's internal guidelines mandated by ALCO. The UAE Central Bank has prescribed reserve requirements on deposits at 1% and 11% on time and demand deposits respectively. The UAE Central Bank also imposes mandatory 1:1 lending to stable resources ratio whereby loans and advances (combined with financial guarantees and inter- bank placements having a remaining term of greater than three months) should not exceed stable funds as defined by the UAE Central Bank. ALCO of the Bank monitors liquidity ratios on a regular basis.

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the current applicable interest rates.

	<i>Upto 3 Months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>1 year to 5 years AED'000</i>	<i>Over 5 years AED'000</i>	<i>Total AED'000</i>
At 31 December 2024					
Due to banks	37,482	-	-	-	37,482
Due to Head office and its branches abroad	24,489	-	-	-	24,489
Deposits and other accounts	1,384,213	50,577	-	-	1,434,790
Other liabilities (including lease liability)	36,227	1,825	3,943	-	41,995
	1,482,411	52,402	3,943	-	1,538,756
At 31 December 2023					
Due to banks	93,970	-	-	-	93,970
Due to Head office and its branches abroad	12,075	-	-	-	12,075
Deposits and other accounts	965,445	17,200	-	-	982,645
Other liabilities (including lease liability)	47,788	1,834	-	-	49,622
	1,119,278	19,034	-	-	1,138,312

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization, and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

3.5 Fair value of financial assets and liabilities

Financial assets consist of cash and balances with the UAE Central Bank, balances with other banks, lendings to financial institutions, loans and advances, investment securities, accrued interest and other receivables. Financial liabilities consist of borrowings, customer deposits, accrued interest and other payables.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

The fair values of financial instruments are not materially different from their carrying values.

Analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments which are carried at fair value by the following valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at year end, investment securities classified as FVOCI amounted to AED 814,740 thousand mentioned in note 8 of which AED 780,352 thousand (2023: 629,386 thousand) were falling under level 1.

During the year, there was no movement between the level 1 and level 2 of the fair value hierarchy. During the current or prior year, bank has not classified any financial instrument in level 3 of the fair value hierarchy.

3.6 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the UAE Central Bank;
- To safeguard the Bank's ability to continue as a going concern and increase the returns for the shareholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the UAE Central Bank. The required information is filed with the regulators on a quarterly and annual basis.

The UAE Central Bank issued Basel III capital regulation which came into effect from 31 December 2017, introducing minimum capital requirement at three level: common equity tier 1 (CET1, Tier 1 (T1) and Total Capital.

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.6 Capital management (continued)

Minimum transitional arrangements as per UAE Central Bank are as follows:

Capital element	2024	2023
Minimum common equity tier 1 ratio	7.00%	7.00%
Minimum tier 1 capital ratio	8.50%	8.50%
Minimum capital adequacy ratio	10.50%	10.50%
Capital conservation buffer	2.50%	2.50%

The capital adequacy ratio as per Basel III framework is given below:

	2024 AED'000	2023 AED'000
Tier 1 capital		
Allocated capital	100,000	100,000
Statutory reserves	9,279	6,025
Retained earnings	52,725	39,323
Fair value and other reserves	1,327	(5,271)
	<hr/>	<hr/>
Total Tier 1 capital	163,331	140,077
Deductions from Tier 1 Capital	(1,605)	(2,142)
	<hr/>	<hr/>
Total Tier 1 capital	<u>161,726</u>	<u>137,935</u>
 Tier 2 capital		
Eligible general provision	2,693	2,392
	<hr/>	<hr/>
Total Tier 2 capital	<u>2,693</u>	<u>2,392</u>
	<hr/>	<hr/>
Total capital base	<u>164,419</u>	<u>140,327</u>
 Risk Weighted Assets		
Credit risk	480,655	381,521
Market risk	8,394	670
Operational risk	89,390	61,206
	<hr/>	<hr/>
Total risk weighted assets	<u>578,439</u>	<u>443,397</u>
	<hr/>	<hr/>
Capital Adequacy Ratio (%)	<u>28.42</u>	<u>31.65</u>
	<hr/>	<hr/>
Tier 1 capital to risk weighted assets ratio (%)	<u>27.96</u>	<u>31.11</u>
	<hr/>	<hr/>

Bank Alfalah Limited – Dubai Branch
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.7 Credit Quality Analysis

As of 31 December 2024

	<i>Stage 1</i>		<i>Stage 2</i>		<i>Total</i>	
	<i>Exposure</i>	<i>ECL</i>	<i>Exposure</i>	<i>ECL</i>	<i>Exposure</i>	<i>ECL</i>
Cash and balances with the UAE Central Bank	631,343	(12)	-	-	631,343	(12)
Balances with other banks	18,030	(3)	-	-	18,030	(3)
Due from head office and its branches abroad	-	-	-	-	-	-
Loans and advances	195,490	(1,722)	-	-	195,490	(1,722)
Investment securities	791,849	(619)	28,873	(5,363)	820,722	(5,982)
Other assets	12,986	-	-	-	12,986	-
Unfunded exposure	34,081	(78)	-	-	34,081	(78)
	1,683,779	(2,434)	28,873	(5,363)	1,712,652	(7,797)

As of 31 December 2023

	<i>Stage 1</i>		<i>Stage 2</i>		<i>Total</i>	
	<i>Exposure</i>	<i>ECL</i>	<i>Exposure</i>	<i>ECL</i>	<i>Exposure</i>	<i>ECL</i>
Cash and balances with the UAE Central Bank	404,615	-	-	-	404,615	-
Balances with other banks	97,824	(35)	-	-	97,824	(35)
Due from head office and its branches abroad	20,202	(1)	-	-	20,202	(1)
Loans and advances	56,953	(329)	-	-	56,953	(329)
Investment securities	632,590	(505)	18,845	(2,352)	651,435	(2,857)
Other assets	11,111	-	-	-	11,111	-
Unfunded exposure	35,674	(139)	-	-	35,674	(139)
	1,258,969	(1,009)	18,845	(2,352)	1,277,814	(3,361)

The expected credit loss against financial instruments classified as FVOCI is routed through other comprehensive income and not deducted from carrying value in the statement of financial position. As at 31 December 2024 and 31 December 2023, there were no Stage 3 exposures in any of the Branch's asset classes.

3.8. Fair value of financial instruments

<i>As of 31 December 2024</i>	<i>FVOCI</i>	<i>Amortised Cost</i>	<i>Carrying Value</i>
Financial Assets			
Cash and balances with the UAE Central Bank	-	631,332	631,332
Due from banks	-	18,027	18,027
Due from head office and its branches abroad	-	-	-
Loans and advances	-	193,768	193,768
Investment securities	814,740	-	814,740
Other assets	-	12,986	12,986
	814,740	856,113	1,670,853
Financial Liabilities			
Due to banks	-	37,482	37,482
Due to Head office and its branches abroad	-	24,489	24,489
Deposits and other account	-	1,434,790	1,434,790
Other liabilities (including lease liability)	-	41,606	41,606
	-	1,538,367	1,538,367

Bank Alfalah Limited – Dubai Branch
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2024

3 FINANCIAL RISK MANAGEMENT (continued)

3.8 Fair value of financial instruments (continued)

<i>As of 31 December 2023</i>	<i>FVOCI</i>	<i>Amortised Cost</i>	<i>Carrying Value</i>
Financial Assets			
Cash and balances with the UAE Central Bank	-	404,615	404,615
Due from banks	-	97,789	97,789
Due from head office and its branches abroad	-	20,201	20,201
Loans and advances	-	56,624	56,624
Investment securities	651,435	-	651,435
Other assets	-	11,111	11,111
	651,435	590,340	1,241,775
Financial Liabilities			
Due to banks	-	93,970	93,970
Due to Head office and its branches abroad	-	12,075	12,075
Deposits and other account	-	982,645	982,645
Other liabilities (including lease liability)	-	49,622	49,622
	-	1,138,312	1,138,312

*The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different to their fair values due to several factors including short term nature of the portfolio, and also no increase in risk profile of the financial instruments and the respective market rates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may therefore differ, resulting in future changes in these estimates.

In particular, considerable management judgment is required in respect of the following issues:

Going concern

The Bank's management has made an assessment of its ability to continue as going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or GCU's fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by other available fair value indicators.

Financial asset classification

Financial asset classification requires management to make an assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information.

Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Key sources of estimation uncertainty

The following are the key estimations that have been used in the process of applying the Bank's accounting policies:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and determining the forward looking information relevant to each scenario: When measuring ECL the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

5 CASH AND BALANCES WITH THE UAE CENTRAL BANK

	2024 AED'000	2023 AED'000
Cash in hand	1,010	1,742
With the UAE Central Bank in:		
Statutory reserves (see note (a))	106,242	78,851
Current accounts (see note (b))	24,091	(978)
Overnight placement	500,000	325,000
Less: allowance for expected credit loss	(12)	-
	631,332	404,615

- a) Statutory reserves are not available for use in the Bank's day to day operations and cannot be withdrawn without the prior approval of the Central Bank of the UAE. The level of reserves required changes periodically in accordance with the directives of the Central Bank of UAE.
- b) The current account was temporarily overdrawn at 31 December 2023, and was subsequently cleared post year end.

Cash and balances with Central Bank of the UAE were classified as Stage 1 financial assets throughout the year.

6 DUE FROM BANKS, NET

	2024 AED'000	2023 AED'000
Current accounts	5,174	66,603
Time deposits	12,856	31,221
	18,030	97,824
Less: allowance for expected credit loss	(3)	(35)
	18,027	97,789

Due from banks were classified as Stage 1 financial assets throughout the year. Interest rate was ranging between 5.9% and 10.5% in 2024 (2023: between 4.1% and 7.3%)

Bank Alfalah Limited – Dubai Branch
NOTES TO THE FINANCIAL STATEMENTS
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7 LOANS AND ADVANCES, NET

	<i>Note</i>	2024 AED'000	2023 AED'000
Loans and advances, gross		195,490	56,953
Less: allowance for expected credit loss	27	(1,722)	(329)
		193,768	56,624

Gross loans and advances represented by:

	2024 AED'000	2023 AED'000
Current finance	1,713	-
Term loans	41,581	36,730
Loans against trust receipts	70,893	20,223
Trade loans	80,808	-
Bills discounted	495	-
	195,490	56,953

For credit risk assessments, please refer Note 3.1.

8 INVESTMENT SECURITIES

	2024 AED'000	2023 AED'000
Debt instruments - measured at fair value through other comprehensive income	809,984	650,584
Less: allowance for expected credit loss	(5,982)	(2,857)
	804,002	647,727
Equity investment - measured at fair value through OCI		
- Listed	3,391	3,708
- Unlisted	7,346	-
	814,740	651,435

Included in the above are debt instruments amounting to AED 39,315 thousand (2023: AED 97,010 thousand) secured under repurchase agreement with the lender for an amount of AED 37,482 thousand (Note 12) . The Bank holds an ECL allowance of AED 14.3 thousand (2023: AED 32 thousand) on these investment securities secured under repurchase agreements.

The net change in fair value of equity investment amounting to AED 109 thousand has been accounted for in other comprehensive income (2023: AED 116 thousand)

9 OTHER ASSETS

	2024 AED'000	2023 AED'000
Interest receivable	5,996	4,578
Interest receivable on interest rate swaps	3,608	4,612
Other receivables from Head office	3,201	1,597
Prepayments	892	652
Margin with cash collateral	12	12
Dividend receivable	-	136
Other receivable	169	176
	13,878	11,763

Bank Alfalah Limited – Dubai Branch
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2024

10 RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties include the Head Office, key management personnel and entities controlled, jointly controlled or significantly influenced by such parties. A number of banking transactions are entered into with the Head Office and other branches in the normal course of business. The terms and conditions of these transactions are agreed between the Bank and related parties.

	2024 AED'000	2023 AED'000
<i>Due from Head office and its branches abroad*</i>		
Time deposit	-	20,202
Less: allowance for expected credit loss	-	(1)
	<u>-</u>	<u>20,201</u>
<i>Due to Head office and its branches abroad</i>		
Current account	24,489	12,075
Deposits with related parties	29,198	-
<i>Other assets</i>		
Other receivables from Head Office (Note 9)	3,201	1,597
<i>Other liabilities</i>		
Markup Payable to related parties	247	-
Significant transactions with related parties during the year are as follows:		
Interest income	152	219
Interest expense	265	1,181

*Due from head office and its branches abroad were classified as Stage 1 financial assets throughout the year.

As at 31 December 2024, the Bank holds investment securities under fiduciary capacity on behalf of other overseas branches amounted to equivalent AED 297.17 million (2023: AED 348.06 million).

During the year, the Bank has not recorded any impairment of the amounts due from related parties.

The Bank's key decisions are taken at Head Office level by the key management personnel of the Head Office, therefore, key management compensation disclosure is not included in these financial statements.

11 PROPERTY AND EQUIPMENT

	2024 AED'000	2023 AED'000
Property and equipment	3,757	3,292
Capital work-in-progress	100	45
	<u>3,857</u>	<u>3,337</u>
The cost of fully depreciated assets that are still in the Bank's use are as follows:		
	2024 AED'000	2023 AED'000
Furniture, fixture and office equipment	47	47
Computer and accessories	18	8
	<u>65</u>	<u>55</u>

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

11 PROPERTY AND EQUIPMENT (continued)

	<i>Leasehold improvements AED'000</i>	<i>Furniture, fixture and office equipment AED'000</i>	<i>Computer and accessories AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Total AED'000</i>
Cost					
1 January 2024	2,600	524	249	220	3,593
Additions	723	59	42	236	
Disposals	-	-	-	-	1,060
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2024	3,323	582	292	456	4,653
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation:					
1 January 2024x	47	95	69	90	301
Charge for the year	303	74	60	158	596
Disposals					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2024	351	169	128	248	897
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:					
31 December 2024	2,972	413	163	208	3,757
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Bank Alfalah Limited – Dubai Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

11 PROPERTY AND EQUIPMENT (continued)

	<i>Leasehold improvements AED '000</i>	<i>Furniture, fixture and office equipment AED '000</i>	<i>Computer and accessories AED '000</i>	<i>Motor vehicles AED '000</i>	<i>Total AED '000</i>
Cost					
1 January 2023	-	197	157	295	649
Additions	2,600	379	108	-	3,087
Disposals	-	(52)	(16)	(75)	(143)
31 December 2023	2,600	524	249	220	3,593
Accumulated depreciation:					
1 January 2023	-	121	46	65	232
Charge for the year	47	26	39	57	169
Disposals	-	(52)	(16)	(32)	(100)
31 December 2023	47	95	69	90	301
Net book value:					
31 December 2023	2,553	429	180	130	3,292

Bank Alfalah Limited – Dubai Branch
NOTES TO THE FINANCIAL STATEMENTS
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11.1 LEASES

The Bank leases office premises. The leases typically run for a period of five years. Information about leases for which the Bank is a lessee is presented below.

Leases as lessee (IFRS 16)

i. Right-of-use asset

Right-of-use assets relate to leased office premises that are presented within property and equipment (note 11).

	2024 AED'000	2023 AED'000
Balance at 1 January	7,557	372
Additions	(2,651)	8,707
Reversal of accumulated depreciation on lease write off	2,651	-
Depreciation charge for the year	(1,711)	(1,522)
Balance at 31 December	5,846	7,557

ii. Lease liability

	2024 AED'000	2023 AED'000
As at 1 January	6,920	374
Additions	-	8,707
Interest expense	284	194
Payments	(1,825)	(2,355)
As at 31 December	5,379	6,920

Maturity analysis as at 31 December

	2024 AED'000	2023 AED'000
Not later than 1 year	1,615	1,542
Later than 1 year and not later than 5 years	3,764	5,378
Total lease liability at 31 December	5,379	6,920

iii. Amounts recognised in statement of profit or loss and other comprehensive income

Leases under IFRS 16

	2024 AED'000	2023 AED'000
Interest expense	284	194
Depreciation expense	1,711	1,522

Bank Alfalah Limited – Dubai Branch
NOTES TO THE FINANCIAL STATEMENTS
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12 DUE TO BANKS

	2024 AED'000	2023 AED'000
Current account	-	2,623
Repurchase agreements with a bank (Note 8)	37,482	91,347
	37,482	93,970

13 DEPOSITS AND OTHER ACCOUNTS

	2024 AED'000	2023 AED'000
Current deposits	1,160,594	876,705
Time deposits	268,270	101,915
Others	5,925	4,025
	1,434,790	982,645

14 OTHER LIABILITIES

	2024 AED'000	2023 AED'000
Cash collateral payable on derivative instruments (note 10)	21,532	29,586
Provision for taxation (note 26)	9,035	8,642
Accrued interest payable	2,436	439
Interest payable on interest rate swaps	1,298	1,834
Provision for employees' end of service benefits (note 14.1)	754	798
Bonus payable	420	318
Professional fees & audit remuneration	331	470
VAT payable	80	-
Expected credit losses on off-balance sheet items (Note 3.1)	78	139
Bankers cheque	70	150
Others	193	326
	36,227	42,702

14.1 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2024 AED'000	2023 AED'000
Balance as at 1 January	798	795
Payment	(318)	(208)
Charge for the year	286	262
Actuarial gain	(12)	(51)
At 31 December	754	798

14.1 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

The Bank provides for staff terminal benefits based on an estimate of the amount of future benefit that the employees have earned in return for their service until their retirement. The calculation is performed based on a projected unit credit method.

UAE national employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme. As per Federal Labor Law No. 7 of 1999, the Bank is required to contribute between 12.5% - 15% of the "contribution calculation salary" of UAE payroll costs to the retirement benefit scheme to fund the benefits. The employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Bank with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the income statement.

15 SHARE CAPITAL

The assigned capital of the Bank is AED 100 million (2023: AED 100 million) and is provided by the Head Office.

16.1 STATUTORY RESERVE

In accordance with applicable law, 10% of the profit for the year is required to be transferred to a statutory reserve which is non-distributable. Allocations to this reserve are required to be made until such time as the balance in this reserve equals 50% of the allocated capital. During the current year AED 3,253 thousand (2023: AED 3,506) at rate of 10% (2023: 10%) of profit for the year has been transferred to the statutory reserve.

16.2 REGULATORY RISK RESERVE

Impairment reserve under the Central Bank of UAE (CBUAE) guidance

As per the new credit risk management standards (CRMS) issued by CBUAE (Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024), Banks must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.50% of the Credit Risk weighted assets as computed under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non-distributable balance sheet reserve called the 'impairment reserve-general'. The amount held in the impairment reserve-general must be deducted from the capital base (Tier 1 capital for Banks) when computing the regulatory capital.

The reconciliation between prescribed minimum provision and provision computed as per IFRS is as below:

	2024 AED'000	2023 AED'000
Non-distributable impairment reserve - General		
Minimum provision for Stage 1 & 2 as per CBUAE requirements	8,677	5,753
Less: Stage 1 and 2 impairment provision taken against income	(7,797)	(3,361)
Shortfall in stage 1 & 2 provision to meet minimum CBUAE requirements	880	2,392
Balance of impairment reserve - general as at January 1, 2024	2,392	-
Less: Non-distributable reserve during the year (Impairment reserve-general)	(1,512)	2,392
Balance of impairment reserve - general as at December 31, 2024	880	2,392

Impairment reserve: Specific

The Bank does not have any specific provision.

17 DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk. All such derivatives are due less than one year.

Bank Alfalah Limited – Dubai Branch
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17 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	<i>Assets 2024 AED'000</i>	<i>Liabilities 2024 AED'000</i>	<i>Notional amount 2024 AED'000</i>
Derivatives - liquidity management:			
Forward foreign exchange contracts	90	-	315,139
Interest rate swaps	19,877	-	230,537
	<i>Assets 2023 AED'000</i>	<i>Liabilities 2023 AED'000</i>	<i>Notional amount 2023 AED'000</i>
Derivatives - liquidity management:			
Forward foreign exchange contracts	52	-	132,007
Interest rate swaps	25,450	-	305,308

The following table outlines the notional amounts and average rates of derivatives:

As at 31 December 2024:

	<i>Within 1 year AED'000</i>	<i>1 to 3 years AED'000</i>	<i>3 to 5 years AED'000</i>	<i>Over 5 years AED'000</i>	<i>2024 Total AED'000</i>
Fair Value Hedges					
<i>Interest rate risk</i>					
<i>Interest rate swaps</i>					
Notional amount	15,360	97,638	66,116	51,423	230,537
	<i>Within 1 year AED'000</i>	<i>1 to 3 years AED'000</i>	<i>3 to 5 years AED'000</i>	<i>Over 5 years AED'000</i>	<i>2024 Total AED'000</i>
Forward foreign exchange contracts					
Notional amount	315,139	-	-	-	315,139

As at 31 December 2023:

	<i>Within 1 year AED'000</i>	<i>1 to 3 years AED'000</i>	<i>3 to 5 years AED'000</i>	<i>Over 5 years AED'000</i>	<i>2023 Total AED'000</i>
Fair Value Hedges					
<i>Interest rate risk</i>					
<i>Interest rate swaps</i>					
Notional amount	26,078	71,706	104,681	102,843	305,308
	<i>Within 1 year AED'000</i>	<i>1 to 3 years AED'000</i>	<i>3 to 5 years AED'000</i>	<i>Over 5 years AED'000</i>	<i>2023 Total AED'000</i>
Forward foreign exchange contracts					
Notional amount	132,007	-	-	-	132,007

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18 CONTINGENCIES AND COMMITMENTS

	2024 AED'000	2023 AED'000
Letters of guarantee	21,801	19,705
Letter of credit	12,280	15,969
	34,081	35,674

ECL of AED 78 thousand (Note 14) (2023: AED 139 thousand) against off balance sheet items has been recognised under other liabilities.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet his obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

Forward foreign exchange contracts comprise commitments to purchase or sell foreign currencies on behalf of customers and in respect of the Bank's propriety activity.

Undrawn credit commitments represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss for an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers' maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is viewed as low, since it results from the possibility of unused portions of loan authorisations being drawn by the customer and only if such drawings subsequently are not paid as due. The Bank monitors the term to maturity of the credit commitments because longer term commitments generally have a greater degree of credit risk than the shorter term commitments. The total outstanding contractual amount of the commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

19 COMMITMENT IN RELATION TO EQUITY INVESTMENT

During the year, the Bank has subscribed for 2676 Pre-Series A-1 preference shares in Acamas Ventures Holding Limited, the holding company of Jingle Pay Limited, at a price of USD 1382.82 per share, amounting to USD 3,700 thousand.

On 11 December 2024, the Bank had made a payment of USD 2,000 thousand (AED 7,345 thousand) as per the agreed terms and equivalent to USD 1,700 in kind (the "In Kind Investment" that consists of infrastructure services for launch and hosting application in Pakistan).

20 INTEREST INCOME

	2024 AED'000	2023 AED'000
Interest income:		
- investment securities	33,946	20,970
- due from banks	14,862	16,875
- loans and advances	6,478	1,886
- interest rate swaps	14,284	17,427
	69,571	57,158

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21 INTEREST EXPENSE

	2024 AED'000	2023 AED'000
Interest expense on:		
- interest rate swaps	5,162	6,861
- due to banks	6,260	2,383
- customer deposits	6,564	1,530
- lease liability	284	194
	18,270	10,968

22 FEE, COMMISSION AND BROKERAGE INCOME

	2024 AED'000	2023 AED'000
Trade related fee	1,315	1,798
Letters of credit / guarantees	827	982
Remittance income	719	959
Advisory fee	43	808
	2,904	4,547

23 OTHER INCOME

	2024 AED'000	2023 AED'000
Gain on sale of investment	1,936	1,260
Gain on derivatives	9	27
Gain on sale of fixed assets, net	-	24
Dividend income	207	136
Miscellaneous income	571	51
	2,723	1,498

24 STAFF COSTS

	2024 AED'000	2023 AED'000
Salaries and allowances	7,560	6,122
Charge for employees' end of service benefits (note 14.1)	286	262
	7,846	6,384

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25 ADMINISTRATIVE AND GENERAL EXPENSES

	2024 AED'000	2023 AED'000
Legal and professional consultancy	672	742
Communication costs	402	383
Insurance	420	373
Branch license fee	317	104
Others	1,317	1,329
	3,128	2,931

26 TAXATION

Implementation of UAE Corporation Tax Law

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (UAE CT Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The Corporate Tax Law shall apply to Tax Periods commencing on or after 1 June 2023 (where the tax period is generally aligned with the financial accounting period). The UAE CT Law shall apply to the Bank with effect from 1 January 2024. The UAE CT Law is subject to further clarification by supplemental Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions, and other interpretive guidance of the UAE Federal Tax Authority, are required to fully evaluate the impact of the UAE CT Law on the Bank.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to the 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the Bank considers the UAE CT Law to be substantively enacted for the purposes of IAS 12 – Income Taxes, and that the impact of the UAE CT Law should be assessed on the financial statements for the Bank.

On 4 December 2024, the General Director of the Department of Finance, Dubai, issued Administrative Resolution No. 107 of 2024 (the "Resolution"), providing guidance on the implementation of Law No. (1) of 2024 with respect to the Tax on Foreign Banks Operating in the Emirate of Dubai, United Arab Emirates (UAE) (the "new Emirate Law"). This Resolution became effective upon its publication in the official gazette on 9 December 2024. It outlines key provisions related to the calculation of taxable income and tax liability, tax filing, and payments for foreign banks operating in Dubai.

An annual tax rate of 20% is imposed on foreign banks on their taxable income. However, if the foreign bank pays corporate tax in accordance with UAE CT Law, the amount of corporate tax paid shall be granted as a deduction from its total tax liability. In case the foreign bank is subject to tax at a rate of 20%, the tax credit for UAE corporate tax may be provided as a deduction from the tax rate (i.e. 20% less 9%).

The taxable income is calculated after making certain adjustments to the net profit before tax for the year and is based on management's best estimate. The components of income tax expense for the year are:

	2024 AED'000	2023 AED'000
Current tax:		
- For current year	(9,035)	(8,642)
- Prior year current tax	(57)	(24)
	(9,092)	(8,666)
Deferred tax:		
- Relating to origination and reversal of temporary differences	887	(130)
Relating to profit and loss account	(8,204)	(8,796)

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At 31 December 2024

26 TAXATION (continued)

26.1. Reconciliation between accounting profit and tax expense:

	2024 AED'000	2023 AED'000
Profit before tax	40,734	43,859
Add: (Reversal of ECL)/ ECL disallowed	4,437	(649)
Profit subject to tax	45,171	43,210
Tax on income @ 20%	9,035	8,642
Prior year charge	57	24
	9,092	8,666
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	(887)	130
Income tax expense for the year	8,204	8,796

	2024 AED'000	2023 AED'000
Emirati Tax	5,431	8,642
Federal Tax – Note 26.2	3,603	-
Income tax expense for the year	9,035	8,642

	2024 AED'000
26.2. Federal Tax at 9%	
Profit before Tax	40,374
Less: Gains / losses not subsequently recognized in P&L (from OCI)	(168)
Less – dividends/foreign PE exemption	(207)
Add: Non-deductible expenditure as per the CT Law (50% of entertainment expenditures)	6
Add: Expenditure incurred in relation to pre – CT Period	45
Taxable Income	40,412
Tax on Income (0% applies to the first AED 375,000 of taxable income)	3,603

Deferred tax balances are attributable to the following:

	2024 AED'000	2023 AED'000
Allowances for expected credit losses	1,559	672
Fair value reserve movement relating to investments carried at FVOCI	(308)	1,338
Net deferred tax asset	1,251	2,010

Movements in temporary differences during the year are as follows:

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26 TAXATION (continued)

	<i>Opening balance AED 000</i>	<i>Recognised in profit or loss AED 000</i>	<i>Recognised in OCI/ equity AED 000</i>	<i>Closing balance AED 000</i>
2024				
Allowances for loan losses	672	887	-	1,559
Fair value reserve movement relating to investments carried at FVOCI	1,338	-	(1,646)	(308)
	2,010	887	(1,646)	1,251
	<i>Opening balance AED 000</i>	<i>Recognised in profit or loss AED 000</i>	<i>Recognised in OCI/ equity AED 000</i>	<i>Closing balance AED 000</i>
2023				
Allowances for loan losses	802	(130)	-	672
Fair value reserve movement relating to investments carried at FVOCI	2,935	-	(1,597)	1,338
	3,737	(130)	(1,597)	2,010

Movements in income tax liabilities were as follows:

	<i>2024 AED'000</i>	<i>2023 AED'000</i>
As at 1 January	8,642	4,457
Charge for the year	9,092	8,666
Payment during the year	(8,699)	(4,481)
As at 31 December	9,035	8,642

27 NET IMPAIRMENT (CHARGE) / REVERSAL

The charge to the statement of profit or loss and other comprehensive income for the net impairment gain/(loss) on financial assets is made up as follows:

	<i>2024 AED 000</i>	<i>2023 AED 000</i>
Impairment of investments held at fair value through OCI	(3,125)	981
Impairment of loans and advances to customers	(1,394)	(329)
Impairment on unfunded exposure	61	33
Impairment of due from bank	20	(35)
Impairment from head office and its branches abroad	1	(1)
	(4,437)	649

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NOTES TO THE FINANCIAL STATEMENTS

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28 MATURITY PROFILE OF ASSETS AND LIABILITIES

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The table below analyses assets and liabilities of the Bank at the reporting date into relevant maturity groupings based on the remaining period to the contractual maturity date:

	<i>Upto 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>Up to 1 year AED'000 Subtotal</i>	<i>1-5 years AED'000</i>	<i>Over 5 years AED'000</i>	<i>More than 1 year AED'000 Subtotal</i>	<i>No fixed maturity AED'000</i>	<i>Total AED'000</i>
At 31 December 2024								
Assets								
Cash and balances with the UAE Central Bank	631,343	-	631,343	-	-	-	-	631,343
Due from banks, net	18,030	-	18,030	-	-	-	-	18,030
Due from head office and its branches abroad	-	-	-	-	-	-	-	-
Loans and advances	48,806	146,683	195,490	-	-	-	-	195,490
Investment securities	87,976	327,923	415,899	299,101	94,984	394,085	10,737	820,721
Other assets	335	8,450	8,785	3,989	1,103	5,092	-	13,878
Property and equipment	-	-	-	-	-	-	3,857	3,857
Right of use asset	-	-	-	-	-	-	5,846	5,846
Total Assets	786,491	483,057	1,269,547	303,090	96,086	399,177	20,440	1,689,165
Liabilities								
Due to banks	37,482	-	37,482	-	-	-	-	37,482
Due to Head office and its branches abroad	-	-	-	-	-	-	24,489	24,489
Deposits and other accounts	217,693	50,577	268,270	-	-	-	1,166,519	1,434,790
Other liabilities	-	-	-	-	-	-	36,227	36,227
Lease liability	-	1,614	1,614	3,765	-	3,765	-	5,379
Total liabilities	255,175	52,191	307,367	3,765	-	3,765	1,227,235	1,538,367
Net liquidity gap	531,316	430,866	962,180	299,325	96,086	395,412	(1,206,795)	150,798

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28 MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	<i>Upto 3 months AED '000</i>	<i>3 months to 1 year AED '000</i>	<i>Up to 1 year AED '000 Subtotal</i>	<i>1-5 years AED '000</i>	<i>Over 5 years AED '000</i>	<i>More than 1 year AED '000 Subtotal</i>	<i>No fixed maturity AED '000</i>	<i>Total AED '000</i>
At 31 December 2023								
Cash and balances with the UAE Central Bank	404,615	-	404,615	-	-	-	-	404,615
Due from banks, net	97,789	-	97,789	-	-	-	-	97,789
Due from head office and its branches abroad	20,201	-	20,201	-	-	-	-	20,201
Loans and advances	20,204	18,351	38,555	-	18,069	18,069	-	56,624
Investment securities	81,936	184,148	266,084	247,238	134,405	381,643	3,708	651,435
Other assets	108	664	772	1,833	9,158	10,991	-	11,763
Property and equipment	-	-	-	-	-	-	3,337	3,337
Right of use asset	-	-	-	-	-	-	7,557	7,557
Total Assets	624,853	203,163	828,016	249,171	161,632	410,703	14,602	1,253,321
Liabilities								
Due to banks	93,970	-	93,970	-	-	-	-	93,970
Due to Head office and its branches abroad	12,075	-	12,075	-	-	-	-	12,075
Deposits and other accounts	84,715	17,200	101,915	-	-	-	880,730	982,645
Other liabilities	578	123	701	-	-	-	42,001	42,702
Lease liability	-	1,711	1,711	6,844	-	6,844	-	8,555
Total liabilities	191,338	19,034	210,372	6,844	-	6,844	922,731	1,139,947
Net liquidity gap	433,515	184,129	617,644	242,327	161,632	403,859	(908,129)	113,374

In the above table, all current account and saving account balances have been classified as maturing in up to 3 months 'column. However, in normal course of events all of them are not withdrawn within three months.

29 Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported or require disclosure in the financial statements as at and for the year ended 31 December 2024.